SUSTAINABLE FUNDS QUARTERLY

Q2 2023

In this report...

CASTLEFIELD

THE THOUGHTFUL INVESTOR

MARKET COMMENTARY

Quarter two of 2023, the period from April to June, saw a continuation of the market trends we encountered in the first three months of the year, namely significant volatility, high inflation and increasing interest rates.

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Events in Russia and Ukraine continued to dominate global headlines, particularly the astonishing move by Yevgeny Prigozhin, leader of the Wagner Group, who marched his men towards Moscow then abruptly abandoned his mission, having left Vladimir Putin looking weakened and everyone else puzzled. Elsewhere in Europe and right at the end of the quarter were the major civil disturbances in France, starting in the banlieus of Paris before spreading across the country and bringing new meaning to Emmanuel Macron's phrase of En Marche!

In the UK, interest rates are 5.0% and inflation was 8.7% in May[1]. Euro area inflation was 6.1% in May[2] while interest rates are 3.5%[3]. May figures for the US were inflation of 5%[4] ("core CPI") while the Federal Reserve most recently kept interest rates unchanged at 5.00% to 5.25%[5].

Given the above, markets, especially labour markets, are proving a little more resilient than one might have predicted six months ago and some commentators have referred to a "hold tight, muddle through" approach to the current circumstances by investors, as they keep their heads down and remain risk-averse.

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At home, it was relatively quiet on the political front last quarter, with familiar themes and familiar unconvincing promises to address them. However, uppermost in the minds of investors and consumers is inflation.

The Bank of England was probably too slow to respond to rising inflation when it first appeared but now its response could be seen as heavy-handed. Given how slowly rate increases filter through into the real economy, it might make sense to allow recent rises to work through the system. The regular monthly rate rises imposed over the last eighteen months are beginning to look as if they are playing to a political gallery rather than to an economic or business audience.

It seems to us that the present Governor of the Bank of England, Andrew Bailey, does not inspire confidence amongst market participants. Indeed, the Bank has announced a review of how it makes and uses economic forecasts[6], perhaps acknowledging that it has got its figures wrong in the past.

It is worth reminding ourselves that the British government, along with the ECB and the US Fed, has a target of 2% for so-called core inflation but the actual figure looks likely to remain well above that level until the end of next year. Central banks seem unlikely to ease policy in such a constrained market and so will have to keep policy tight in order to try to manage inflation.

The risk is that battling back to 2% inflation may require central bankers at home and abroad to increase borrowing costs to a

1. Interest Rates and Monetary Policy: Key Economic Indicators - House of Commons Library (parliament.uk)
2. Inflation in the euro area - Statistics Explained (europa.eu)
3. European markets live updates: ECB rate decision, Fed rate decision (cnbc.com)
4. Dollar falls to three-week low as US inflation data backs Fed pause view (cnbc.com)
5. Fed's Powell signals fresh US rate hikes ahead | Reuters
6. Bank of England to hold review into its economic forecasts | Reuters

point where they endanger the health of the financial system and the wealth of the general public. This inflation narrative, especially in the UK, will run and run and we suspect we will still be discussing it in our next few reports.

In the US, there was the usual periodic discussion of the Debt Ceiling. This issue arises regularly because, as national debt increases, the U.S. Treasury Department must borrow more money to pay for government spending. The legislative curb on this borrowing is known as the Debt Ceiling and, in theory, it should not be exceeded. The most recent ceiling was an astonishing $31.4 trillion[7]. Any changes must be agreed by both houses and the customary political manoeuvering took place between reds and blues before a deal was eventually reached in early June[8] to suspend the ceiling until 2025, meaning that there is effectively no limit on US government borrowing for the next eighteen months. Remember that there is a Presidential election next year.

In the Eurozone, the period was characterised by the usual issues; high inflation and persistent geopolitical uncertainties. However, on the plus side, Continental Europe survived the winter without energy shortages and the severe recession that many analysts feared. Labour markets have continued to thrive, stabilising consumer expenditure, and economic sentiment has recovered, albeit more so in the services sector than in manufacturing[9].

A word on a couple of other markets. After what seems like decades in the doldrums, Japanese markets are showing signs of life, with the Nikkei 225 up by around 30% since the start of this year[10]. The service sector has enjoyed a return of consumer spending and the re-opening of borders. The labour market remains relatively tight, and wages are expected to accelerate this year[11] but, so far, the Bank of Japan is holding off on any interest rate rises from the present, extremely low levels.

Recent GDP rises in China have arisen from the overdue end of Covid restrictions leading to a recovery in both domestic demand and exports.

Usually, equities offer a hedge against inflation, but higher interest rates have engendered a risk-averse mindset amongst investors and this can be seen in the performance of markets and in the lack of new company flotations so far this year. What makes this underperformance frustrating is that many listed companies have reported good financial figures, which would usually enjoy a much better reception than they have done in 2023.

Equities had a mixed Spring, with US indices in positive territory, while other markets moved sideways. After a positive first three months of the year, the UK-centred FTSE All Share retraced its steps, ending up down 3.32% in quarter two. The Eurozone, as represented by the FTSE Europe ex-UK index was minus 2.08% while the US, quicker to get a grip of inflation, rose by 3.19%. The performance of these indices probably reflects the success or otherwise of different central banks in controlling inflation. To our earlier point, the FTSE Japan Index was up 2.94%, after a similarly positive first quarter.

We are still satisfied that our portfolios are in a good place.

We are still satisfied that our portfolios are in a good place. We have good exposure to infrastructure, where many assets generate inflation-linked returns and many of our other investments are in sectors, such as technology and healthcare, which are well-positioned for recovery and growth.

7. What Happens When the U.S. Hits Its Debt Ceiling? | Council on Foreign Relations (cfr.org)
8. What's in US debt ceiling deal and who won? - BBC News
9. Eurozone economic outlook | Deloitte Insights
10. Index Information - Nikkei Indexes
11. Japan economic outlook | Deloitte Insights

UNILEVER: TACKLING GENDER-BASED VIOLENCE IN AGRICULTURAL VALUE CHAINS

An investigation led by BBC Africa Eye and Panorama recently uncovered the sexual abuse of over 70 women on the Kericho tea estates in Kenya

An investigation led by BBC Africa Eye and Panorama recently uncovered the sexual abuse of over 70 women on the Kericho tea estates in Kenya, operated until recently by Unilever. Following similar allegations over ten years ago, Unilever responded with a "zero tolerance" approach to sexual harassment, implementing a plethora of policies and oversight to protect against human rights abuses.

Unilever's position on the matter is complicated by the fact the company sold its tea business, Ekaterra, to CVC Capital Partners in July 2022. A formal investigation is now underway, led by Lipton Tea & Infusions, as well as separate enquiries from the Kenyan authorities, and so the company are unable to comment on their liability at this stage. However, we were intent on gaining a better understanding of how the company's zero tolerance approach failed in its duty to protect women living and working on the tea estates. Engaging in discussion with a senior member of Unilever's Sustainability & Investor Relations team has provided us with an opportunity to raise our concerns and challenge how the company will protect women in other high-risk countries and agricultural value chains against gender-based violence.

Following similar allegations of sexual abuse on the Kericho estate uncovered by SOMO in 2010, Unilever responded with a string of measures to improve the safety of women on the plantation. Improved lighting across the estates, enhanced security, safe places for women to breastfeed their babies and improvements to housing provided on the estate, are all aimed to improve living conditions. Informed by experience in the tea sector, Unilever partnered with the UN to publish a Global Women's Safety Framework in Rural Spaces drawing on the prevention of violence against women and girls in agricultural value chains.

The Kericho tea estates have widely been considered a demonstration of best practice on how to run a plantation, yet even so, incidences of gender-based violence have not been contained.

This leaves one question which makes it clear Unilever is equally as eager to resolve – why did such measures still fail to prevent a reoccurrence? The Kericho tea estates have widely been considered a demonstration of best practice on how to run a plantation, yet even so, incidences of gender-based violence have not been contained. In Kenya, 76 percent of women work in agriculture, yet jobs are increasingly scarce as the mechanisation of farm work and the effects of climate change take root.[1] Women remain in a powerless position, living in fear that reporting assault or harassment would mean losing her job – a risk that cannot be afforded.

Though Unilever still awaits the findings of the investigation, it is thought likely that this pervasive sense of distrust and fear may present a barrier to victims reporting incidents of harassment. Living in small communities lacking privacy only exacerbates this problem, as all too often, women are ostracised by their family and community while their abusers remain free.[2] Recognising this, the company instigated a programme educating and empowering women at Kericho to report incidences of harassment or violence with confidence.[3]

The most recent iteration of the Human Rights Report draws on a three-pillar approach to eradicate gender-based violence - Detection, Prevention and Remediation – collaborating with suppliers to implement effective management systems. Albeit post the sale of its tea business, Unilever are aware of the urgent need to protect women in other agricultural value chains, noting priority crops as palm oil, soy, pulp, cocoa, and sugar. However, the company stressed that it doesn't end there – the work continues for Unilever to define best practice and communicate their growing expectations to suppliers.

Written by Eleanor Walley

1. The Roots of Sexual Violence on Tea Farms | Rainforest Alliance (rainforest-alliance.org)
2. ibid
3. https://www.unilever.com/news/news-search/2017/the-programme-protecting-women-on-our-kericho-tea-estate/

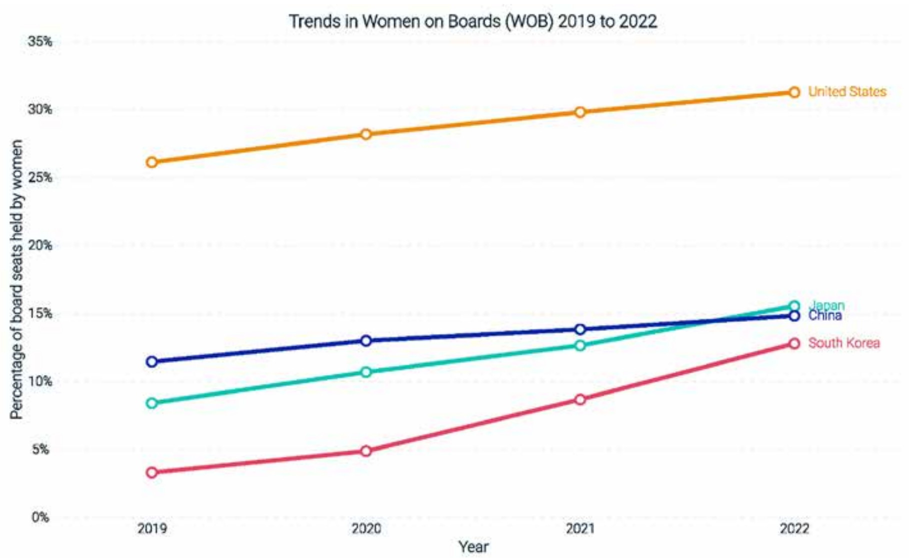
COLLABORATIVE ENGAGEMENT: 30% CLUB GLOBAL ENGAGEMENT

Castlefield has been an active member of the 30% Club UK Investor Group for a number of years. This Group is a collaborative engagement initiative comprised of asset managers, asset owners and charities, originally set up with the aim of engaging with FTSE 350 companies on the topic of gender diversity at board and executive level.

We have seen encouraging progress regarding gender diversity at board level within the UK financial markets. In the last decade we have seen all-male boards reduced from 152 to zero and in aggregate, across the FTSE 350, women now make up close to 40% of non-executive directors.[1] Since its launch in the UK in 2010, the 30% Club has broadened its reach and now has operations in over 20 countries with the mission to reach at least 30% representation of women on boards and C-Suites globally, while also promoting the benefits of increased ethnic diversity.

We believe boards that genuinely embrace cognitive diversity, as manifested through appropriate gender and ethnic representation and a broad spectrum of skills and experience, are more likely to achieve better outcomes for investors through avoiding 'group think.' There is a growing volume of research to support this hypothesis – for example, a 2018 report by McKinsey concluded that gender diversity correlated with both profitability and outperformance,[2] while a report from BCG in the same year highlighted a strong statistically significant correlation between diversity within management teams and innovation.[3] Fostering inclusive workplaces can also play an important role in attracting and retaining talent and enhancing reputation and branding.

> We have joined a small working group which has prioritised a select number of companies across four global markets – Japan, South Korea, China and the USA



Source: [Women on Boards Progress Report 2022 - MSCI]

In order to expand the Investor Group's activity outside of the UK market, we have joined a small working group which has prioritised a select number of companies across four global markets – Japan, South Korea, China and the USA – to engage with on the topic of diversity.

We understand that there are a wide range of cultural and regional factors which may impact the ability of companies to collect workforce data or set diversity targets and will seek to use the information we gain regarding the influencing factors on these markets and the responses from these companies to guide the future direction of this working group.

Written by Amelia Overd

1. FTSE 350 hits boardroom gender balance target three years early - GOV.UK (www.gov.uk)
2. Delivering growth through diversity in the workplace | McKinsey
3. How Diverse Leadership Teams Boost Innovation (bcg.com)

COOPERATION WITH OTHER INVESTORS AND WORKING IN OTHER ASSET CLASSES

Inland Homes PLC - ZDPs

We hold Zero Dividend Preference shares in the AIM-listed specialist housebuilder and brownfield developer, Inland Homes PLC. A Zero Dividend Preference share (or ZDP, or Zero) is not an equity share and does not entitle the holder to any dividends, but it does offer the holder a capital payment on a fixed date at a higher price than the initial subscription price, thereby giving the holder a fixed return. ZDPs do not carry the right to vote at the company AGM, but they sit higher up in the company's capital structure meaning that, in the event of a company being liquidated, holders of ZDPs would be paid before holders of ordinary shares.

Earlier this year, we were contacted by another holder of Inland Homes ZDPs who was seeking our support to engage with the company's board in order to find out more about some of the company's properties, namely apartments being developed for sale on a site in Cheshunt, Hertfordshire. Cash proceeds from the sale of these apartments are earmarked to pay for the redemption of the ZDPs, which is due relatively soon - in April 2024.

On 11th May, I joined two other investors on a visit to the site in Cheshunt, thirteen miles north of London. The purpose of the day was to cast an eye over the site and over the buildings on which the ZDP is secured; kicking the tyres, as it were. We also hoped, as a group, to highlight our concerns about the security of our investment.

Cheshunt Lakeside is being developed as a new urban village, with planning approval granted for 1,725 residential plots and 21,325sqm of commercial and educational space. The site was formerly the national HQ of Tesco PLC. It has excellent credentials for sustainable regeneration in that it is brownfield land right next to Cheshunt railway station, which has a good service to London (Liverpool Street in 23-39 minutes). The site is located at the entrance to a regional park and the scale of the site enables Inland Homes to flex their business model, using various revenue streams to maximise returns and deliver long-term value.

This is still a live engagement, as we are still in contact with the other investors and we have not yet had the chance to speak with management although we hope to do so soon, because financial results have now been published. As a smaller investor, the benefit of teaming up with other investors is that it gives us more leverage with the company, and we hope to bring that to bear soon.

Written by David Gorman

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Inland Cheshunt Site

NEW HOLDING: TREATT, CASTLEFIELD SUSTAINABLE UK SMALLER COMPANIES FUND

A recent new holding within our Sustainable UK Smaller Companies Fund is a natural extracts and ingredients manufacturer, Treatt. We have long admired the company and a derating of the shares presented an opportunity to initiate a position late last year.

Treatt is a supplier of flavours and aromas principally used in drinks. Based in Bury St. Edmunds, Suffolk, RC Treatt & Co. was established in 1886 and today sells 3,000 products to customers in more than 90 countries. It provides ingredients and ingredient solutions to both the flavours and fragrance industries and directly to some of the world's biggest food and drinks makers, as well as household goods giants (i.e., for scented cleaning products).

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The company has evolved from a commodity-based ingredient trading house into a supplier of value-added ingredients. This has brought substantial sales growth and higher margins. Treatt combines expertise in flavours and fragrance solutions and a good relationship with its customers to help them create appealing and innovative products; all Treatt's top ten customers have been with them for more than a decade, indicative of a strong market position.

Over the past few years, Treatt has undertaken substantial capacity expansion. Firstly, in the US, where its new site was completed in 2019. Then, most recently, it relocated its UK factory to a new site in Bury St. Edmunds. The latter involved a rationalisation of the company's footprint from six buildings to one integrated facility and the installation of the latest equipment. The new UK site is 110k square feet with expansion opportunity in a module way, and thus future proofed. With it comes far greater efficiency too; for example, 27 fork trucks were used at the old site but now they only need seven. Treatt management always felt they had great people and products, but more modern facilities were needed. This forward-looking expansion provides this, and further establishes it a science-led manufacturer of ingredients and an industry leader. We were able to visit the new site last year, before investing.

> Treatt's growth potential is well underpinned by increasing demand from consumers wanting to eat healthier and more natural food and beverages.

Treatt's growth potential is well underpinned by increasing demand from consumers wanting to eat healthier and more natural food and beverages. With almost 90% of group revenues now from natural and clean-label products, Treatt positions itself towards authentic flavour, taste, and fragrance with natural ingredients, often countered by a reduction in sugar.

As well as its sourcing expertise and technical capabilities, we believe one of Treatt's greatest assets is its culture. Although somewhat intangible and potentially hard to measure, indicators of strength here include: a substantial proportion of vacancies filled internally; fostering interesting science-led careers; and receiving various employment awards. Crucially for us too, as an employee-owned business, we are pleased to see an impressive 73% of permanent staff are shareholders, creating strong alignment.

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In a nutshell, we believe Treatt is a high-quality business worth owning. It is run by motivated and aligned people, who are focused on a strategy of increasing its value to customers and promoting healthier lifestyles.

Written by David Elton

HOW IS BRITVIC EMBEDDING SUSTAINABILITY?

At the end of this quarter, we caught up with Britvic's Investor Relations team and its Director of Sustainable Business. This was prompted by a conversation with our External Advisory Committee in which some members had asked about Britvic's suitability for our fund range, given that the company produces soft drinks, which can have a high sugar content, and are often packaged in single use plastics.

We welcome these discussions and it's a key reason why we have an Advisory Committee: to challenge us and ask the questions that our clients might be thinking. We'll be reporting back to our Advisory Committee in September, and in the meantime, we hope this article illustrates to the rest of our client base how Britvic is steadily making its business operations more sustainable.

> **Britvic were quick to point out that 80% of its sold products are now low or no calorie, up from 73% six years ago**

We started our meeting on the topic of sugar content, and Britvic were quick to point out that 80% of its sold products are now low or no calorie, up from 73% six years ago. It's clear that the sugar tax has radically altered Britvic (as well as the wider industry), and this is evidenced by its product development activity where 96% of product innovation is now focused on low or no calorie beverages. This represents a significant increase from 68% back in 2017. The ongoing reformulation of soft drinks also reduces the carbon footprint of products, due to the high carbon footprint of sugar. Moreover, Britvic's focus on health and wellbeing also extends to its marketing strategy. Its code of ethics prohibits promoting excess consumption of its products, bans marketing to under 12s and requires campaigns to ensure that low calorie versions of branded drinks are included in marketing materials.

> **On packaging, the company was very open about the challenges the sector faces in sourcing bio and recycled plastics, where demand outstrips supply at present within the UK.**

On packaging, the company was very open about the challenges the sector faces in sourcing bio and recycled plastics, where demand outstrips supply at present within the UK. Sourcing from further afield is possible but adds to the carbon footprint of the overall product and would mean sourcing from locations with lower standards of employee welfare. There are trade-offs too on the type of packaging material: glass and aluminum both have a higher overall carbon footprint than plastic, for example.

That said, Britvic has increased its use of recycled PET content in its bottles from 4% to 22% over the past three years, and every year the business is saving hundreds of tonnes of plastics by improving the manufacturing practices. While they continue to look for wholesale solutions to the plastic problem in the short term, they also highlighted three areas of their business that provide the building blocks to longer-term solutions on packaging:

- **Dispensers:** Some Britvic brands are available in pubs and restaurants via dispensers, thereby negating the need for single serve packaging.
- **Flavour concentration:** Cordials bring flavour in a format where packaging is vastly reduced.
- **Circularity:** Closed loop systems where used packaging is collated, recycled, and used as input materials. This is already happening in Britvic's Brazilian business, which is required by law to collect discarded plastics.

We know the Britvic business well and have been following its sustainability progress for some time. It's not a perfectly sustainable business. Significant challenges remain. But it is evident from our interactions with them – and in the detailed data that they publish annually – that there is a strong commitment within the firm to addressing these issues. Investors, like ourselves, can help by continuing to monitor progress and challenge when necessary.

In addition, it's important to remember that although the transition to a sustainable, low carbon economy needs new technology and infrastructure – like electric vehicles and renewable energy – it also requires existing companies across all sectors to make significant changes to how they operate. Britvic is a good example of a business doing the hard graft of making incremental changes to its business and supply chain, year in and year out.

All stats taken from: Britvic Sustainability Performance Datasheet 2022

Written by Ita McMahon

VOTING ACTIVITY:
Q2 2023

As investors, we believe that we have a responsibility to our clients, as well as the companies that we hold, to vote on issues such as executive pay, director nominations and political donations. We aim to vote on all the stocks held in the collective funds we manage. We consider each resolution carefully and often engage with companies where we disagree with their stance. We have an in-house set of voting guidelines that we update annually. The guidelines ensure that we vote consistently across all our fund holdings; they are made publicly available on our website, as is our full voting history.

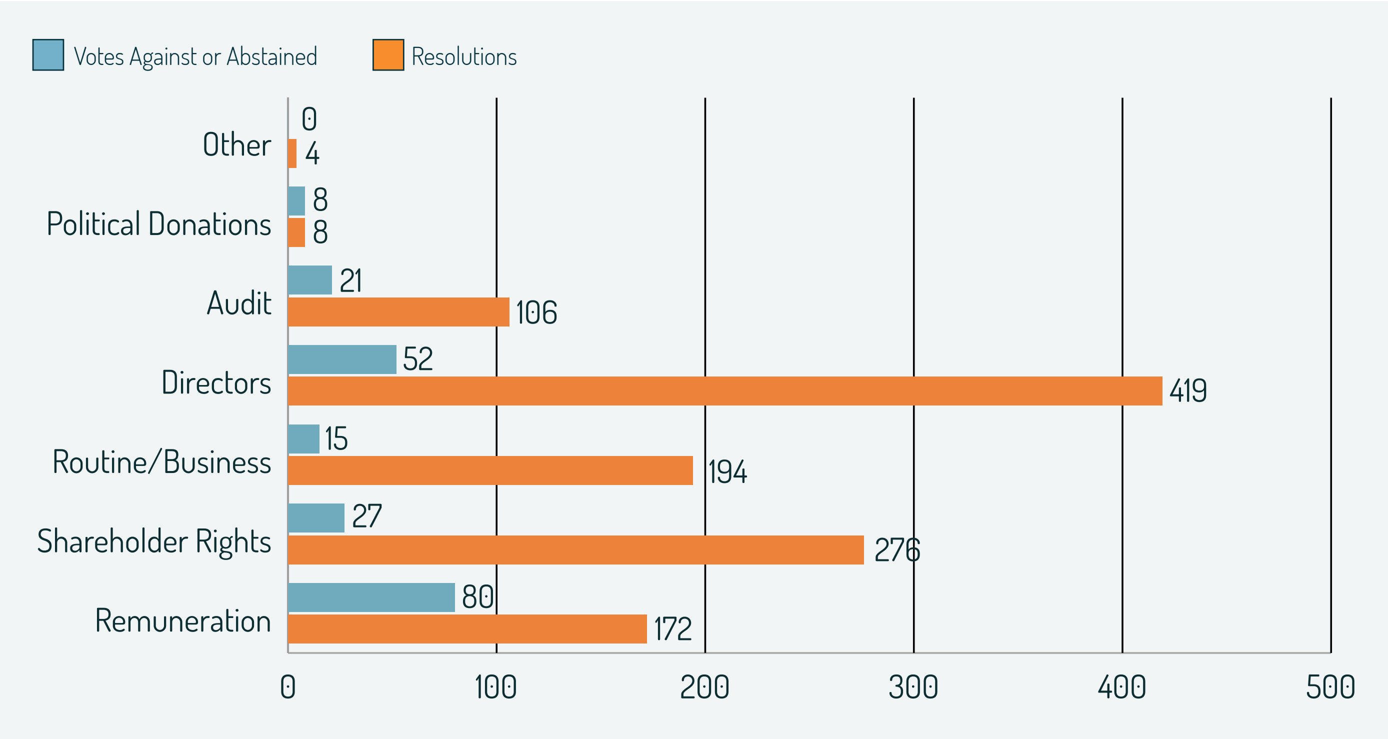
RESOLUTIONS

Number of resolutions where votes were cast For	976	82.8%
Number of resolutions where votes were cast Against	195	16.5%
Number of resolutions where votes were Abstained	8	0.7%

During the quarter, we voted at 74 meetings hosted by our investee companies, with a total of 1,179 resolutions.

1.	REMUNERATION	We vote against excessive pay awards and awards that are not attached to sufficiently stretching performance targets. Particularly in light of the impact of coronavirus, we believe it is important that executive pay is reflective of the experiences and outcomes of all stakeholders.
2.	DIRECTOR INDEPENDENCE & EFFECTIVENESS	Non-Executive Directors (NEDs) who sit on the boards of listed companies should be independent in order to be effective. The UK Corporate Governance Code sets limits on tenure which we apply across all geographies as a factor to determine independence. We have also long taken the view that directors should not hold a lot of other external positions. This is because, at a time of crisis, we expect directors to have enough additional time to dedicate to the company and the issues that it is facing.
3.	SHAREHOLDER RIGHTS	This topic includes votes on issues such as share placings that a company might undertake to raise capital, as well as requests a company might make to repurchase its own shares. These requests have the potential to be detrimental to existing shareholders. One topic which falls under this heading, which we will always vote against, is the request to hold meetings with just 14 days' notice, as we do not believe this is sufficient time for shareholders to prepare to exercise their voting rights.
4.	POLITICAL DONATIONS	We do not think it is appropriate for companies to make political donations and consequently will always vote against a resolution seeking permission to do so.
5.	THE AUDIT PROCESS	Auditor independence may be compromised if the auditor has been in place for a long time and no tendering process has been undertaken, or if fees paid are for services other than their primary audit function.
6.	ROUTINE/BUSINESS:	Items in this category include resolutions that are often uncontentious, such as accepting a company's Financial Report & Accounts for the previous year. It also includes resolutions to approve dividends.
7.	OTHER	This category may include certain resolutions proposed by shareholders and votes on topics such as Environmental, Social or Governance (ESG) issues and reporting.

Resolutions during the quarter by category and how frequently we voted against or abstained:



Spotlight: Significant Votes

A concept that is increasingly spoken about in sustainability circles is the idea of significant votes. Definitions of significant votes vary from institution to institution. However, at Castlefield, we have our own set of internal criteria which determine whether we would consider a vote as significant. All shareholder or climate resolutions whether we support or not, any resolutions that we do not support due to a lack of climate related disclosure or where diversity factors into the rationale, any remuneration policies we vote against, any resolutions related to a priority engagement topic and any resolutions that go against management proposals are all deemed to be significant.

An example of a recent significant vote is our vote against the remuneration report of FTSE 100 listed company Intertek. At Castlefield, we have our own in-house voting guidelines which help us to vote in a consistent manner at each AGM. Regarding remuneration, the incumbent CEO's remuneration breached our threshold for maximum salary and separately we had concerns with the pension contributions of the CEO significantly higher than that of the wider workforce. The investment association set out a roadmap for companies to have full pension alignment with the wider workforce by the end of 2022, however Intertek's current strategy would not see this achieved until 2025. We did not feel that this transition was timely enough so took the decision to vote against the remuneration report.

PORTFOLIO FUNDS: HOLDINGS IN THE SPOTLIGHT...

Stewart Investors Worldwide Sustainability

Stewart Investors are an independent investment team operating as a sub-brand under the banner of First Sentier Investors. The team have full autonomy to follow their own investment strategies and they launched their first dedicated sustainability strategy in 2005. The Stewart Investors Worldwide Sustainability Fund forms part of our global equity exposure in our Castlefield Sustainable Portfolio Fund range. The main aim of the Stewart fund is to achieve growth through investing in high quality companies that are positioned to benefit from and contribute to the sustainable development of the country in which they operate. The team are allowed to search for opportunities in both developed and emerging markets. A bottom-up approach to stock selection is incorporated by the investment team, essentially starting the investment process with a blank canvas and building their way up. As a consequence of this, the composition of the fund will often differ significantly from the index. Separately, a more concentrated portfolio is preferred, therefore the top ten holdings typically account for around 40% of the total portfolio weighting.

Stewart's investment philosophy is somewhat defensive and revolves around the idea that protecting client capital in market downturns enables faster compounding over extended periods of time. We like this approach because it provides a counterbalance to our other global equity fund selections and adds an additional layer of diversification to our global equity exposure. The fund is heavily underweight the US, instead preferring opportunities in the UK, Europe and Asia Pacific regions. Sustainability is a key feature of the fund, with screening criteria in place for a number of contentious issues such as fossil fuel exploration, production & generation with tobacco and arms amongst others.

Charities Aid Foundation (CAF)

CAF forms part of our direct fixed income exposure across both of our Portfolio funds. The bond is issued on the Retail Charity Bonds (RCB) platform, which allows smaller issuers to access the bond market. CAF are one of many issues we have invested in using the RCB platform. CAF is unusual in that it is both a leading charity and a bank. The core objective is to maximise the amount of donations being made across the whole charity sector and to provide charities with low-cost, ethical financial options. CAF acts as a facilitator for donors, reducing administrative headaches, making it easier to gather donations. Additionally, it ensures there is the maximum tax benefit to the donor, encouraging them to donate more. CAF provides support to both individual and corporate donors and has a global reach, which provides donors with a credible way of donating in countries with the greatest need. Separately, CAF also provides advice to charities on fund-raising, communication and governance practices and it undertakes research that benefits the charity sector as a whole through lobbying national decision makers. Through CAF Bank, it can provide banking services for charities and not-for-profit organisations. The bank offers loans to charities at competitive rates and all profits are distributed to charitable causes.

CAF is one of the UK's largest charities and through its banking arm, provides support for over 14,000 different UK charities and social purpose organisations. We like CAF because it provides a clear positive impact through facilitating the movement of funds safely to the charities that need it most. The £50m bond issue offers a 3.5% fixed coupon and a maturity date of 2031. Funds from the issue will be invested in technology to help set up a global digital platform to reduce costs and increase the speed at which funds can be given.

Eckoh

Eckoh is a constituent of our own CFP Castlefield UK Smaller Companies fund, which forms part of your UK equity exposure. Eckoh is an AIM listed digital security specialist which helps businesses to protect their consumer data in order to combat cybercrime and fraud. A by-product of the pandemic was the increased adoption of e-commerce and so-called "card-not-present" transactions form a significant proportion of all organisations' revenues these days. Whilst these options are almost universally considered the preferred payment method for consumers due to greater convenience, they do face the issue of being much more susceptible to fraud. Eckoh's patented secure payment products help to reduce the risk of fraud, secure sensitive data and comply with global regulations. The technology helps to remove the burden of lengthy manual processes related to consumer data protection, regulatory compliance and security. In turn, this improves efficiency, reduces operational costs and increases customer satisfaction. To help both customers and merchants, Eckoh can secure all engagement channels including payments made over the phone through a live agent or an automated system, on the web or a mobile, or through a web chat or chatbot. Its Secure Payments products are straightforward to deploy as they require no change to clients' existing processes or systems.

Eckoh is interesting for several reasons, firstly its business model aligns perfectly with our Cyber and Digital Security positive investment theme. Also, alongside climate change this area is one of the key threats facing businesses globally. Companies need to invest heavily in digital security because in the instances where fraud does take place, banks and credit card companies do not typically hold the end consumer liable, therefore merchants will often end up paying. This provides a strong incentive for firms to reinforce their digital security thus providing powerful structural tailwinds for Eckoh.

Croda

Croda is a FTSE-100 listed chemicals company held within our CFP Castlefield Sustainable UK Opportunities fund, which forms part of your UK equity exposure. A key focus of Croda is to tackle the growing problem of microplastics within agriculture. Rapid population increases are placing greater demand on farmers to produce enough to feed the world. The battle to produce greater crop yields on the same amount of land brings with it two unwanted side effects, land degradation and agricultural runoff. Runoff occurs when rainwater, melted snow or irrigation is not properly absorbed into the soil, potentially due to the ground being oversaturated or equally too dry. This excess water makes its way to rivers, lakes and coastal waterways, all whilst picking up pollutants such as pesticides, fertilisers and animal waste on the way. When these pollutants make their way into waterways, they can boost the growth of algae and aquatic weeds, which drain the water of oxygen, making it more difficult for any aquatic life to survive and thrive. Within the research labs at Croda, experts are working on seed coatings that are free from any harmful microplastics and help to minimise the amount of fertiliser required on land, therefore helping to boost the biodiversity of our waterways. These coatings have common features such as treatments to provide protection against pests and diseases, and a small amount of fertiliser to promote growth. Once planted, the protective coating breaks down. As things stand, microplastic free coatings have been developed for sunflower seeds and corn and work is underway for rice, soya and oil-seed rape.

Croda's research into seed coating fundamentally provides clear positive environmental benefits through reducing the quantity of pollutants found in waterways globally. Growing global populations reinforce the need for higher crop yields therefore providing strong, sustainable demand for their products. Equally, Croda is not limited to agriculture solutions, with their experts involved in phase III clinical trials for WHO-listed vaccines and improving sunscreen products to help reduce skin cancer. Croda's company ethos is "smart science to improve lives" and their business model aligns nicely with both our Health & Wellbeing and Environmental Management positive themes.

SPOTLIGHT ON THE PORTFOLIO FUNDS – OUTLOOK

CFP Castlefield Sustainable Portfolio Growth Fund

The backdrop is a little like Groundhog Day – the themes playing out for investors remain the same in the short-term, with inflation and interest rates still dominating the thinking. Inflation remaining higher for longer and interest rates moving further upwards seems the general consensus and until that changes, our current positioning is likely to remain the same. Some evidence of the economic slowing that policymakers are seeking to control inflation is evident, for example in US manufacturing, however employment markets remain quite strong and while the jobs market is usually one of the last indicators to turn down, it's seemingly holding up better and for longer than might have been anticipated. It's doing so at a time when much of the strong US market performance of late has been driven by fervent expectations for AI (Artificial Intelligence) – ironically often labelled as being about to replace countless thousands of jobs in future.

Rising interest rates and easing power prices have been providing a headwind for the infrastructure exposure we hold, however we retain conviction in the long-term potential for these investments given their essential nature as part of a strategy to mitigate climate change by evolving the energy mix away from fossil fuels. Otherwise, we continue to monitor and review the asset classes we're invested in to ensure we're happy with the mix of holdings we have to deliver on the fund's strategy. For now, we're sitting tight both in the sum allocated to each asset class and to the individual investments selected.

CFP Castlefield Sustainable Portfolio Income Fund

The headwinds to future prospects from sticky inflation and higher interest rates remain potent and that will certainly continue to affect markets, particularly as we head into the quieter summer months. In one sense though, we can consider this as part of a typical economic cycle even if its nature is rather different to those we've experienced over the past two decades. Cycles do come and go and so the key is in analysing when the pressures of late will begin abating in earnest and assessing what changes might be justified as a result.

In practical terms, pressures abating means more widespread evidence of slowing economies. Whether recessions are triggered or not is perhaps not particularly relevant, whereas what's most important is the duration and length of any slowdown in economic activity once interest rate rises begin to bite more deeply. For now, we're retaining our existing positioning and stance and continuing to focus on the long-term potential seen in our current holdings.

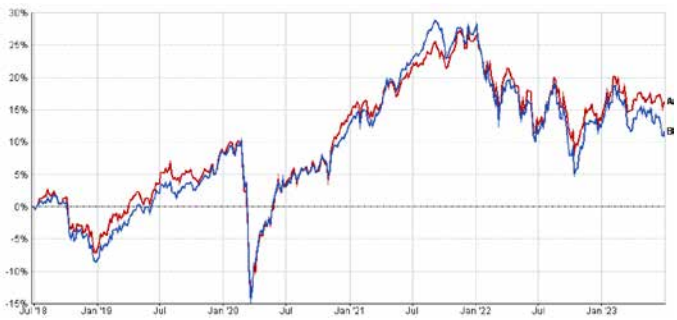
FUND COMMENTARY

CFP CASTLEFIELD SUSTAINABLE PORTFOLIO GROWTH FUND

Key Information

Fund Size:	£67.60m
Investment Association Sector	Mixed Investment 40-85% shares
Launch Date:	1st February 2018
Managers:	Simon Holman & Amelia Overd
Number of Holdings:	30 - 50
Payment Dates:	Quarterly

Cumulative Performance (%)



A - IA Mixed Investment 40-85% Shares [16.38%]
B - CFP Castlefield Sustainable Portfolio Growth G Income [11.78%]

Source: 30/06/2018 - 30/06/2023. Data from FE fundinfo 2023

	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	-0.94	-1.13	-0.51	0.38	8.44	11.78
Sector	0.30	0.16	2.37	3.25	12.44	16.38

Discrete Performance (%)

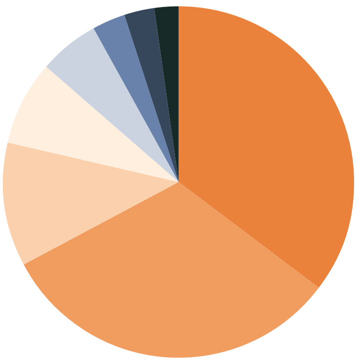
	2023 YTD	2022	2021	2020	2019	2018
Fund	-0.51	-12.14	13.63	3.91	17.86	-
Sector	2.37	-10.04	10.94	5.32	15.78	-

Source: FE fundinfo 2023

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Sector Allocation

- Global Equity 35.43%
- UK Equity 31.82%
- Fixed Income 11.46%
- Renewable Energy 7.85%
- Alternative 5.63%
- Real Estate Investment 2.91%
- Infrastructure 2.83%
- Cash 2.07%



Top 10 Holdings

		%
1	CASTLEFIELD SUSTAINABLE UK OPPORTUNITIES FUND	14.19
2	CASTLEFIELD SUSTAINABLE UK SMALLER COM FUND	11.06
3	FIRST SENTIER INVEST STEWART WORLDWIDE SUSTAINABILITY FD	9.31
4	FP WHEB ASSET MANAGEMENT SUSTAINABILITY FUNDS SICAV	8.27
5	CASTLEFIELD SUSTAINABLE EUROPEAN FUND	7.87
6	LIONTRUST SUSTAINABLE FUTURE ICVC UK ETHIC FUND	6.57
7	LIONTRUST SUSTAINABLE FUTURE ICVC LION TRUST FUT GLB GROWTH	5.74
8	CASTLEFIELD REAL RETURN FUND	4.67
9	SARASIN RESPONSIBLE GLOBAL EQUITY FUND	4.24
10	RATHBONE ETHICAL BOND FUND	4.00

Fund Commentary

The CFP Castlefield Sustainable Portfolio Growth Fund returned -1.1% (General share class) in the second quarter of 2023, versus +0.2% for its peers in the Investment Association's Mixed Investment 40% - 85% Equities sector.

As outlined in the earlier market commentary section of this report, persistent inflation and the accompanying further upwards pressure on interest rates continues to furrow investors' collective brow, particularly in the UK where the much longed-for easing of energy prices has materialised yet been replaced by persistent food price inflation as a key source of concern. It's impossible now to unpick whether Central Banks were too slow to respond to rising inflation, caught out by the impact of the Russian invasion of Ukraine and its impact on fossil fuel prices, or both; however, the desire to bring inflation back under control remains as strong as ever and so the path for interest rates is higher still. The expectation of the economic slowdown that will generate remains a key consideration, albeit some global markets managed to generate gains in the quarter, including the US stock market where Artificial Intelligence (AI) has become the buzzword of the moment. Expect themed AI fund adverts arriving in a weekend newspaper supplement near you soon....

Positive performance contributions were led by Capital for Colleagues, adding +0.23% to returns on the back of a positive trading update and an increase in its Net Asset Value per share, and the Liontrust Sustainable Future Global Growth Fund, which added +0.22%. Further material contributions came from the Stewart Investors Worldwide Sustainability Fund, with +0.13%, and our CFP Castlefield Sustainable UK Smaller Companies Fund, contributing +0.12%. Conversely, after leading the way last quarter, our Sustainable UK Opportunities and Sustainable European Funds faced headwinds in this one and contributed -0.32% and -0.29% respectively. With the Liontrust UK Ethical Fund contributing -0.18%, our UK equity fund exposure accounted for a material part of the short-term relative underperformance.

No new positions were initiated in the quarter, nor existing holdings exited. Once again, dealing activity revolved primarily around cash management and deploying continued inflows to the fund.

Source: Castlefield, Factset

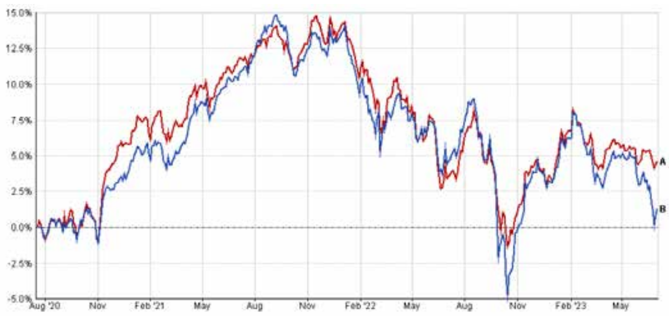
FUND COMMENTARY

CFP CASTLEFIELD SUSTAINABLE PORTFOLIO INCOME FUND

Key Information

Fund Size:	£14.23m
Investment Association Sector	Mixed Investment 20-60% shares
Launch Date:	6th July 2020
Managers:	Simon Holman & Amelia Overd
Number of Holdings:	30 - 50
Payment Dates:	Quarterly

Cumulative Performance (%)



A - IA Mixed Investment 20-60% Shares TR in GB [4.64%]
B - CFP Castlefield Sustainable Portfolio Income G Income [1.30%]

Source: 06/07/2020 - 30/06/2023. Data from FE fundinfo 2023

	1 Mth	3Mths	6 Mths	1 Yr	3 Yrs	Since Launch
Fund	-1.40	-2.30	-1.73	-3.00	-	1.30
Sector	0.06	-0.41	1.21	1.18	-	4.64

Discrete Performance (%)

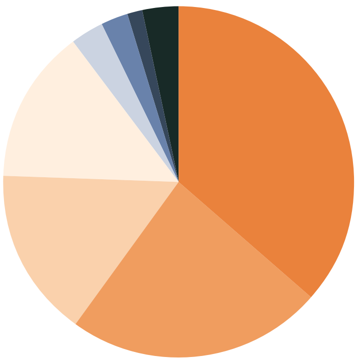
	2023 YTD	2022	2021	2020	2019	2018
Fund	-1.73	-9.38	8.71	-	-	-
Sector	1.21	-9.47	7.20	-	-	-

Source: FE fundinfo 2023

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Sector Allocation

- Fixed Income 36.65%
- UK Equity 23.39%
- Global Equity 15.66%
- Renewable Energy 14.16%
- Alternative 2.99%
- Infrastructure 2.58%
- Real Estate Investment 1.48%
- Cash 3.09%



Top 10 Holdings

		%
1	CASTLEFIELD SUSTAINABLE UK OPPORTUNITIES FUND	18.97
2	RATHBONE ETHICAL BOND FUND INSTITUTIONAL INC	11.95
3	ROYAL LONDON BOND FUNDS II ICVC ETHICAL BOND FUND	8.89
4	EDENTREE RESPONSIBLE AND SUSTAINABLE STERLING BOND FUND	7.78
5	FIRST SENTIER INVEST STEWART WORLDWIDE SUSTAINABILITY FD	3.91
6	CASTLEFIELD SUSTAINABLE EUROPEAN FUND	3.90
7	FP WHEB ASSET MANAGEMENT SUSTAINABILITY FUNDS SICAV	3.56
8	GREENCOAT UK WIND PLC	2.62
9	JLEN ENVIRONMENTAL ASSETS GROUP LTD SICAV GBP	2.54
10	SARASIN RESPONSIBLE GLOBAL EQUITY FUND	2.43

Fund Commentary

The CFP Castlefield Sustainable Portfolio Income Fund returned -2.3% in the second quarter of 2023, versus -0.4% for its peers in the Investment Association's Mixed Investment 20% - 60% Equities sector.

The backdrop continues to be less favourable in the short-term given the continued dominance of the combination of high inflation and interest rates rising to combat it. It often seems that Central Banks seem to be responding to new economic data points as they arise, even though each interest rate change is meant to take full effect some eighteen months thereafter. That implies plenty of economic headwinds for some time yet. At some stage, the cumulative effect of these interest rate rises will bite sufficiently to bring inflation down on a consistent basis, even though it can feel like a sledgehammer being used to crack a nut given the divergence between some of the sources of inflation and the areas where rate rises are felt most keenly. The position will change eventually though and the economy will move into a different part of the cycle. Until then, we will keep looking for opportunities offering a combination of good financial returns and sustainable long-term business models.

Turning to performance, the key positive contribution over the quarter came from Capital for Colleagues plc, where a trading update revealed an increase in the Net Asset Value of the shares and the gain in the price of the shares saw it contribute +0.25% to returns. Elsewhere, the position in the Liontrust Sustainable Future Global Growth Fund contributed +0.07% while a recovery in the shares of both Triple Point Social Housing and Cordiant Digital Infrastructure saw them contribute +0.09% and +0.06% respectively to returns. On the downside, a reversal of fortunes from previous quarters saw our Castlefield Sustainable UK Opportunities Fund detract -0.45% from returns. Meanwhile, the continuing upward march of interest rates in the UK saw weakness from our positions in the Edentree Responsible & Sustainable Sterling Bond and Royal London Ethical Bond funds, contributing -0.3% and -0.33% respectively. The interest rate backdrop also hindered the renewable infrastructure sector, with several holdings detracting from performance as a result.

No new positions were initiated in the quarter, nor existing holdings exited. Instead, dealing activity revolved around cash management.

Source: Castlefield, Factset

FUND COMMENTARY

CFP CASTLEFIELD SUSTAINABLE EUROPEAN FUND

Key Information

Fund Size:	£22.32m
Investment Association Sector	Europe (ex-UK)
Launch Date:	1st November 2017
Managers:	Rory Hammerson
Number of Holdings:	30 - 50
Payment Dates:	Semi-annual

Cumulative Performance (%)

A - IA Europe Excluding UK [33.37%]
B - CFP Castlefield Sustainable European G Income [22.22%]

Source: 30/06/2018 - 30/06/2023. Data from FE fundinfo 2023

	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	0.63	-3.67	1.89	10.98	8.69	22.22
Sector	1.41	-0.16	7.85	18.42	27.99	33.37

Discrete Performance (%)

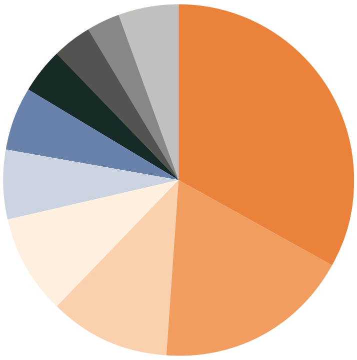
	2023 YTD	2022	2021	2020	2019	2018
Fund	1.89	-16.68	11.85	20.42	27.37	-14.53
Sector	7.85	-9.02	15.76	10.28	20.33	-12.16

Source: FE fundinfo 2023

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Sector Allocation

- Industrials 33.10%
- Healthcare Equipment 18.03%
- Financials 11.30%
- Technology 9.22%
- Consumer Goods 6.21%
- Food Producers 6.02%
- Consumer Services 3.95%
- Chemicals 3.81%
- Support Services 3.06%
- Cash 5.30%



Top 10 Holdings

	Top 10 Holdings	%
1	STRAUMANN HOLDINGS	5.08
2	VESTAS WIND SYSTEM A/S	4.91
3	SCHNEIDER ELECTRIC SA	4.80
4	GEA GROUP	4.40
5	TECAN GROUP	4.25
6	BELIMO HOLDING	4.11
7	CARREFOUR SA	4.08
8	PARTNERS GROUP	3.96
9	SCOUT 24	3.95
10	SYMRISE	3.81

Fund Commentary

Whilst not the most exciting region for returns this year, European equities saw total returns of close to 9%, but remained flat over the past quarter. Within this context, the fund fell 3.7%, trailing the IA sector during the quarter. Our outlook for the fund remains relatively cautious, due to the continued geopolitical tensions caused by Russia's invasion of Ukraine, high energy costs which look vulnerable as we enter the second half of the year, and a weak consumer hit by inflationary pressures. With a weak growth outlook, and cost pressures on corporate pockets, we would suggest that pressures on profitability are still not factored into analysts forecasts. We maintain our absolute conviction that quality defensive growth is a long-term strategy that will provide the most consistent of returns within a fairly volatile environment.

The top three contributors to returns were UniCredit, Schneider Electric and Straumann. UniCredit benefits as a bank, the second top performing sector, as profitability increases during a rising interest rate cycle. Under new management, the bank is achieving excellent cost savings and consolidation of its operations across Europe. Schneider Electric benefits from positive surprises as analysts have underestimated the increased profitability coming from energy management projects which have a very fast return on investment. Straumann is a story of strong momentum which should not surprise the market, but keeps doing so. Strong organic growth is driven primarily by Europe and North America. Asia is only held back by China, but this should alleviate over time.

There has been no portfolio activity during the second quarter. As a percentage, portfolio turnover remains a very low single digit over all time periods, reinforcing our high conviction, long-term investment philosophy. Cash levels remain at mid single digits within the portfolio.

Source: Castlefield, Factset

FUND COMMENTARY

CFP CASTLEFIELD SUSTAINABLE UK OPPORTUNITIES FUND

Key Information

Fund Size:	£39.69M
Investment Association Sector	UK All Companies
Launch Date:	1st June 2007
Managers:	Mark Elliott
Number of Holdings:	30 - 50
Payment Dates:	Quarterly

Cumulative Performance (%)

A - IA UK All Companies [7.98%]
B - CFP Castlefield Sustainable UK Opportunites G Income [6.99%]

Source: 30/06/2018 - 30/06/2023. Data from FE fundinfo 2023

	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	-2.28	-2.33	0.15	8.03	16.30	6.99
Sector	-0.41	-0.73	1.88	6.20	24.07	7.98

Discrete Performance (%)

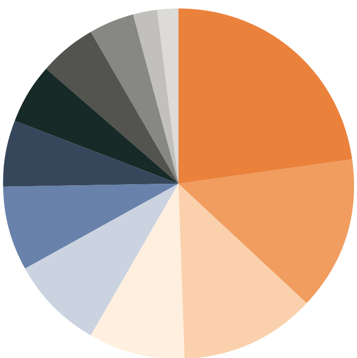
	2023 YTD	2022	2021	2020	2019	2018
Fund	0.15	-13.59	19.96	-5.53	17.07	-0.80
Sector	1.88	-9.06	17.25	-6.01	22.24	-11.19

Source: FE fundinfo 2023

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Sector Allocation

- Industrials 22.92%
- Financials 14.28%
- Consumer Goods 12.33%
- Support Services 9.00%
- Consumer services 8.50%
- Healthcare 7.72%
- Media 6.18%
- Chemicals 5.68%
- Technology 5.20%
- Telecommunications 4.18%
- Real Estate Investment Trusts 2.28%
- Cash 1.73%



Top 10 Holdings

	Top 10 Holdings	%
1	RELX	6.18
2	EXPERIAN	5.87
3	UNILEVER PLC	5.64
4	BEGBIES TRAYNOR GROUP PLC	4.78
5	SPECTRIS	4.56
6	HIKMA PHARMACEUTICALS	4.42
7	CITY OF LONDON INV	4.36
8	TYMAN PLC	4.34
9	WHITBREAD	4.28
10	INTERTEK GROUP	4.22

Fund Commentary

The Fund returned -2.33% during Q2 2023, behind the IA UK All Companies sector return of -0.73%.

The quarter started brightly as the UK market rebounded from the fallout from the collapse of several regional banks in the US. The failure of Silicon Valley Bank was ultimately prevented from turning into a wider financial crisis as contagion across other financial institutions or countries was largely averted. Borrowing costs in the UK moved lower as a result and provided some respite to companies and households. This changed as the quarter progressed when the US debt-ceiling debate played out against a backdrop of unexpectedly high inflation data in the UK. Both events acted to meaningfully raise reference gilt yields and wider borrowing costs. By the end of the quarter 10-year gilt yields were back at the level that prevailed around the time of the ill-fated mini budget last September. Tellingly, this time the jump in yields is rooted in consensus estimates of what the Bank of England will do with interest rates in the second half of the year to tackle inflation.

Despite expectations of yet higher interest rates, the consumer is still spending, although indications are that personal shopping habits are changing to reflect the new economic reality. We are benefiting through our investments in hotel business Whitbread (owner of Premier Inn). The group released full-year results during the quarter, with earnings exceeding pre-Covid levels. Whitbread, through it's value-led proposition Premier Inn is benefiting from an increase in people looking to find cost-effective but still comfortable hotel rooms. It is also benefiting from an increase in shorter breaks relative to long-haul holiday destinations and is establishing a growing business in Germany. A reported increase in both occupancy and room rates supports an ability to successfully offset inflationary pressures.

The politicisation of the day-to-day operations of some sectors such as high street banks, water companies and supermarkets is now evident and a direct consequence of the pressures on consumers. These industries singled out for special attention by politicians also generally deliver lower profit margins and we have no investments in these sectors for this reason. However, the increase in yields still presented a headwind to some companies with investment management group Impax moving lower on pressured markets and chemicals business Croda reporting a slowdown in both crop-care sales and also lower personal-care products, which combined were enough to offset gains generated earlier in the quarter.

Source: Castlefield, Factset

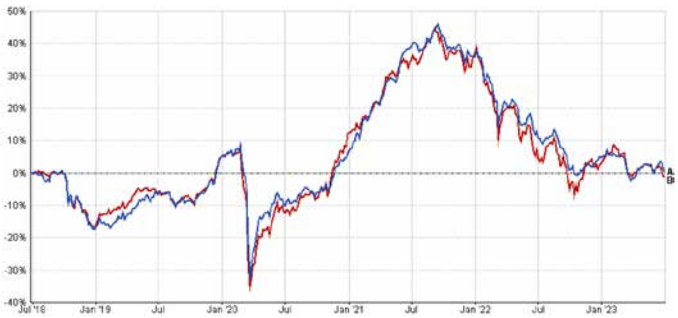
FUND COMMENTARY

CFP CASTLEFIELD SUSTAINABLE UK SMALLER COMPANIES FUND

Key Information

Fund Size:	£31.77M
Investment Association Sector	UK Smaller Companies
Launch Date:	1st June 2007
Managers:	David Elton
Number of Holdings:	30 - 50
Payment Dates:	Semi-annual

Cumulative Performance (%)



■ A - CFP Castlefield Sustainable UK Smaller Companies G Income [0.38%]
■ B - IA UK Smaller Companies [-1.23%]

Source: 30/06/2018 - 30/06/2023. Data from FE fundinfo 2023

	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs
Fund	0.58	1.38	-4.16	-9.37	11.94	0.38
Sector	-1.34	-1.20	-4.05	-5.46	12.66	-1.23

Discrete Performance (%)

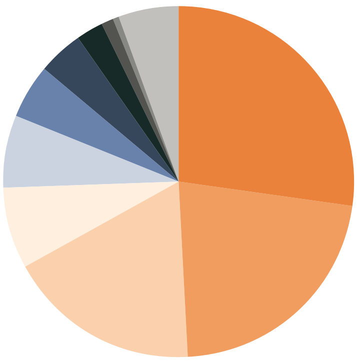
	2023 YTD	2022	2021	2020	2019	2018
Fund	-4.16	-23.61	27.83	2.49	25.46	-13.84
Sector	-4.05	-25.17	22.92	6.48	25.34	-11.70

Source: FE fundinfo 2023

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Sector Allocation

- Industrials 27.36%
- Technology 21.90%
- Health Care 17.74%
- Financials 7.54%
- Chemicals 6.77%
- Consumer Services 4.89%
- Utilities 4.11%
- Software & Computer Services 2.66%
- Consumer Goods 0.99%
- Support Services 0.63%
- Cash 5.41%



Top 10 Holdings

		%
1	AB DYNAMICS PLC	4.27
2	PORVAIR PLC	4.18
3	OMG PLC	4.13
4	TRACSIS PLC	3.78
5	CML MICROSYSTEMS PLC	3.69
6	TREATT PLC	3.51
7	ECKOH	3.36
8	EKF DIAGNOSTICS HOLDINGS PLC	3.25
9	GRESHAM HOUSE PLC	3.25
10	MARLOWE PLC	3.16

Fund Commentary

The Fund had a reasonable Q2 in both absolute and relative terms, registering a total return of +1.38%, compared to a sector return of -1.20%. Despite the continued macroeconomic challenges, our companies have generally continued to show a healthy level of resilience. Having now heard from all our holdings on trading year-to-date, c.85% have been in-line with expectations or better.

The biggest three contributors to Fund performance were Medica (+35.26%), Oxford Metrics (+18.18%) and Animalcare (+16.76%). The market-leading provider of teleradiology services in the UK and Ireland, Medica, became the latest target of private equity as European firm IK Partners made an offer to acquire the company at a 32.5% premium to its prevailing share price. Oxford Metrics, the smart sensing and motion capture company, announced strong interim results. The Group delivered a record first half with revenue up c.70%, driven by buoyant demand across market segments, from life sciences to entertainment and engineering. Looking to the second half, the order book remains healthy too, providing confidence on delivering results ahead of current market expectations, whilst a significant net cash position supports the pursuit of complementary acquisitions. International animal health business, Animalcare, released full year results that demonstrated strength in the face of various challenges as well as continued strategic progress exemplified by an improved gross margin. The share price also saw some positive potential read across from its larger peer, Dechra Pharmaceuticals, which agreed a premium takeover bid from Swedish private equity firm EQT. The largest detractors for the Fund were CML Microsystems (-12.38%), Renewi (-15.16%) and Zotefoams (-12.12%). Notwithstanding all three companies providing solid updates during the period, each gave back some share price gains.

We initiated a new holding during the period in Diaceutics, a Belfast-based diagnostics data analytics company which serves the global pharmaceutical industry. Sitting within our Health & Wellbeing positive theme, the company has a suite of data-driven products and services focused on the testing required for precision medicines. Precision medicine, sometimes known as "personalised medicine", is an approach for disease prevention and treatment that takes into account differences in people's genes, environments and lifestyles. The main goal of precision medicine is to improve patient outcomes by targeting the right treatments to the right patients at the right time, and Diaceutics plays an important role in this. It has gathered the world's largest repository of real-world testing data which brings about greater insights and collaboration to stakeholders in precision medicine diagnostics. It currently provides its services to many of the largest global pharmaceutical companies on attractive multi-year subscription agreements. We believe the company's pioneering approach and significant growth opportunity in precision medicine isn't reflected in its current share price and have therefore initiated a position.

Source: Castlefield, Factset

MEET THE TEAM

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Associate, Investment Management

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Associate,
Investment Management

Barney Timson
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